



Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2018

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No 117 of 1998). Municipal demarcation code NC076.
Nature of business and principal activities	Provision of Municipal services in terms of the Municipal Finance Management Act No.56 of 2003 and Municipal Systems Act No.32 of 2000.
Mayoral committee Executive Mayor Councillors	Mpamba, B Swartling, S Tshangela, B Tallies, J Ngxabazi, R Brits, HL Naude, PM
Grading of local authority	The Thembelihle Municipality is a grade 2 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mogale, AM (Appointed 1 July 2017 until 31 October 2017) Jack, MR (Appointed 1 November 2017 until 30 June 2018)
Chief Finance Officer (CFO)	Jaxa, N (Appointed 1 July 2017 until 30 April 2018) Oliphant, JT (Appointed 1 May 2018 until 30 June 2018)
Registered office	Municipal Offices Church street Hopetown 8750
Business address	Municipal Offices Church street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank Limited (Primary) ABSA Limited
Attorneys	Herman van Heerden Inc

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Thembelihle Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Mr. MR Jack
Accounting Officer

Thembelihle Local Municipality

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Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no.56 of 2003 and municipal systems act no.32 of 2000 and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 2 481 943 (2017: surplus R 22 014 485).

Proportion of income and loss attributable to various classes of business:

2018

Classes of business	Proportion of contribution to income before tax	Other informative information
Property Rates	5 %	4 068 356
Service Charges	22 %	19 903 524
Grants and Subsidies	67 %	58 710 169
Other	6 %	4 845 693

2017

Classes of business	Proportion of contribution to income before tax	Amount
Property Rates	6 %	3 639 931
Service Charges	31 %	18 520 163
Grants and Subsidies	57 %	34 601 459
Other	6 %	3 889 295

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2018.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

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Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr. MR Jack	South Adrican	Appointed Thursday, 02 November 2017

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by him by the Remunerations of Public Office Bearers Act No.20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's primary banker is Standard Bank Limited.

The municipality also have accounts with ABSA Limited.

9. Auditors

will continue in office for the next financial period.

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Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	22 943	65 766
Receivables from exchange transactions	4&7	2 380 976	2 425 616
Receivables from non-exchange transactions	5&7	2 200 068	1 588 854
VAT receivable	17	7 002 454	4 599 709
Prepayments		17 460	17 460
Other receivables	8	595 416	595 416
Cash and cash equivalents	9	976 470	600 563
		13 195 787	9 893 384
Non-Current Assets			
Investment property	10	8 123 158	7 896 064
Property, plant and equipment	11	232 289 069	225 872 876
Intangible assets	12	115 513	178 312
Non-current receivables from exchange transactions	13	437 322	460 734
		240 965 062	234 407 986
Total Assets		254 160 849	244 301 370
Liabilities			
Current Liabilities			
Loans Payable	14	534 614	389 692
Finance lease obligation	15	488 073	261 013
Payables from exchange transactions	16	77 015 041	66 609 919
Consumer deposits	18	590 054	563 765
Employee benefit obligation	19	234 840	254 390
Unspent conditional grants and receipts	20	1 272 767	1 769 032
Provisions	21	8 272 431	7 803 417
Third Party Collections	22	130 643	521 776
Long Service Awards	23	48 572	209 197
		88 587 035	78 382 201
Non-Current Liabilities			
Loans Payable	14	3 283 837	3 817 920
Finance lease obligation	15	2 929 919	253 433
Employee benefit obligation	19	4 742 456	4 978 094
Long Service Awards	23	1 227 494	997 671
		12 183 706	10 047 118
Total Liabilities		100 770 741	88 429 319
Net Assets		153 390 108	155 872 051
Accumulated surplus		153 390 108	155 872 051

* See Note 52

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Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	19 903 524	18 520 163
Rental of facilities and equipment	26	768 333	1 044 843
Interest received - consumers	27	984 761	559 657
Donations received		-	21 820
Licences and permits	28	219 555	144 874
Commissions received	29	508 225	100 691
Other income	30	540 031	272 555
Connection fees	31	62 109	117 486
Interest received - investments	27	594 753	505 433
Total revenue from exchange transactions		23 581 291	21 287 522
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	4 068 356	3 639 931
Licences or Permits (Non-exchange)	28	63 209	48 002
Informal Settlement rates		3 917	67 034
Transfer revenue			
Government grants & subsidies	33	58 710 169	34 601 459
Fines, Penalties and Forfeits	34	1 100 800	1 006 900
Total revenue from non-exchange transactions		63 946 451	39 363 326
Total revenue	24	87 527 742	60 650 848
Expenditure			
Employee related costs	35	(26 784 243)	(26 400 526)
Remuneration of councillors	36	(2 557 024)	(2 258 578)
Administration	37	(60 591)	(56 109)
Depreciation and amortisation	38	(9 030 061)	(10 394 980)
Finance costs	39	(8 303 303)	(8 341 554)
Lease rentals on operating lease		(699 687)	(409 473)
Bad Debt impairment movement	6	(7 615 150)	(5 321 007)
Bulk purchases	41	(12 507 720)	(12 738 864)
Contracted services	42	(207 873)	(538 035)
General Expenses	43	(23 175 395)	(15 854 470)
Total expenditure		(90 941 047)	(82 313 596)
Operating deficit		(3 413 305)	(21 662 748)
Gain/ (loss) on disposal of assets and liabilities		(269 173)	(662 497)
Fair value adjustments	10&44	227 094	39 731
Actuarial gains/losses	19	973 441	271 029
		931 362	(351 737)
Deficit for the year		(2 481 943)	(22 014 485)

* See Note 52

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	177 886 536	177 886 536
Changes in net assets		
Surplus for the year	(22 014 485)	(22 014 485)
Total changes	(22 014 485)	(22 014 485)
Restated* Balance at 01 July 2017	155 872 051	155 872 051
Changes in net assets		
Surplus for the year	(2 481 943)	(2 481 943)
Total changes	(2 481 943)	(2 481 943)
Balance at 30 June 2018	153 390 108	153 390 108

* See Note 52

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Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		20 304 059	19 543 303
Grants		56 624 748	33 242 236
Interest income		1 579 514	1 065 090
		<u>78 508 321</u>	<u>53 850 629</u>
Payments			
Employee costs		(29 031 866)	(27 165 582)
Suppliers		(28 128 017)	(14 453 036)
Finance costs		(7 834 289)	(8 383 037)
		<u>(64 994 172)</u>	<u>(50 001 655)</u>
Net cash flows from operating activities	45	<u>13 514 149</u>	<u>3 848 974</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(12 062 907)	(5 944 015)
Proceeds from sale of property, plant and equipment	11	2 192	404 325
Purchase of other intangible assets	12	-	(23 128)
Net cash flows from investing activities		<u>(12 060 715)</u>	<u>(5 562 818)</u>
Cash flows from financing activities			
Repayment of loans payable		(389 162)	(638 725)
Finance payments		(688 365)	(21 586)
Net cash flows from financing activities		<u>(1 077 527)</u>	<u>(854 586)</u>
Cash and cash equivalents at the beginning of the year		600 563	3 168 992
Cash and cash equivalents at the end of the year	9	<u>976 470</u>	<u>600 563</u>

* See Note 52

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue by source

Property rates	7 571 102	2 076	7 573 178	4 068 356	(3 504 822)	When the Adjusted Budget was compiled most of the consumers had already paid there accounts
Service charges	22 751 563	6 301 360	29 052 923	19 903 524	(9 149 399)	Load shedding in the 2017/18 year did not have an effect on the Electricity billed for the year however it was considered at the time of the budget preparation.
Investment revenue	1 902 114	658 974	2 561 088	2 347 847	(213 241)	The interest received on the short term investment was more than considered while budget was prepared.
Transfers recognised - operational	26 023 200	(1 782 354)	24 240 846	42 454 812	18 213 966	
Other own revenue	9 266 485	(7 401 968)	1 864 517	3 698 381	1 833 864	The difficult economic times experienced in the 2017/18 financial year had a negative effect on the other revenue generated due to spending of consumers decreasing.
Total Revenue (excluding capital transfers and contributions)	67 514 464	(2 221 912)	65 292 552	72 472 920	7 180 368	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Expenditure by type						
Employee costs	(26 961 026)	534 753	(26 426 273)	(26 784 243)	(357 970)	Most of the Key Management Posts are vacant.
Remuneration of councillors	(2 639 699)	-	(2 639 699)	(2 557 024)	82 675	The upper limits for Councillors was more than Budgeted for also the council members changed after the local elections.
Debt impairment	(4 011 658)	3 233 839	(777 819)	(7 615 150)	(6 837 331)	Debt impairment is estimated during the budget preparation and consumers repayment ability is difficult to forecast.
Depreciation & asset impairment	(8 256 389)	23 789	(8 232 600)	(9 030 061)	(797 461)	Budget based on prior period audited depreciation and was adjusted with the current year's asset register.
Finance charges	(541 110)	24 539	(516 571)	(8 303 303)	(7 786 732)	Due to payments not made within 30 days Interest has increased, Eskom account is also responsible for a large contribution to the interest.

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	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Materials and bulk purchases	(12 488 130)	6 017 736	(6 470 394)	(12 507 720)	(6 037 326)	Due to Cash flows problems, smaller payments could be made to Eskom and the repayments also decreased amounts spent on repairs and maintenance.
Transfers and grants	-	(5 740 768)	(5 740 768)	-	5 740 768	The amount budgeted for never realised.
Other expenditure	(10 008 597)	(1 238 041)	(11 246 638)	(24 412 719)	(13 166 081)	Increase in debtors collection was not expected. Projects payments were made in the second six months towards the end of the financial year, which could not be taken into account at time of the adjustment budget Budget was based on cashflow payments towards expenditures, however actuals include creditors transactions.
Total expenditure	(64 906 609)	2 855 847	(62 050 762)	(91 210 220)	(29 159 458)	
Surplus	2 607 855	633 935	3 241 790	(18 737 300)	(21 979 090)	
Transfers recognised - capital	14 054 800	5 601 550	19 656 350	16 255 357	(3 400 993)	
Surplus after capital transfers & contributions	16 662 655	6 235 485	22 898 140	(2 481 943)	(25 380 083)	
Surplus for the year	16 662 655	6 235 485	22 898 140	(2 481 943)	(25 380 083)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash	8 176 007	(4 719 007)	3 457 000	976 470	(2 480 530)	Cash flow problems creditors were paid more than expected especially Eskom.
Consumer debtors	12 688 342	(2 883 342)	9 805 000	2 769 637	(7 035 363)	VAT budgeted for as part of Consumer debtors, but should form part of Other debtors.
Other debtors	3 578 540	(357 540)	3 221 000	9 426 737	6 205 737	VAT budgeted for as part of Consumer debtors, but should form part of Other debtors
Inventory	50 000	(48 000)	2 000	22 943	20 943	Cashflow constraints meant the municipality can only purchase inventory as needed for projects at the time.
	24 492 889	(8 007 889)	16 485 000	13 195 787	(3 289 213)	

Non-Current Assets

Investments	460 000	9 000	469 000	-	(469 000)	
Investment property	7 729 100	(100)	7 729 000	8 123 158	394 158	Changes to Investment properties were as a result of the fair value movement due to investment property valuation.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Property, plant and equipment	244 554 831	11 514 519	256 069 350	232 289 069	(23 780 281)	Budget was based on the asset register before the new asset register was compiled. or completed.
Intangible	-	200 000	200 000	115 513	(84 487)	Amortisation of the intangible asset was not taken into account..
Other non-current assets	-	-	-	437 322	437 322	
	252 743 931	11 723 419	264 467 350	240 965 062	(23 502 288)	
Total Assets	277 236 820	3 715 530	280 952 350	254 160 849	(26 791 501)	
Liabilities						
Current Liabilities						
Borrowing	270 000	(270 000)	-	1 022 687	1 022 687	Budgeted amount includes the finance charges The finance lease liability was budgeted for under Provisions.
Consumer deposits	576 128	(576 128)	-	590 054	590 054	Less connections were made than anticipated.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Trade and other payables	45 000 000	(21 286 000)	23 714 000	78 418 452	54 704 452	Retention fees not budgeted for, more payments made to Eskom than expected however the outstanding amounts still increased due to interest. Unspent grants budgeted for as part of payables.
Provisions	16 660 026	(24 739 026)	(8 079 000)	8 555 843	16 634 843	Less consumer debt than expected. A number of accounts was closed meaning deposits were paid back An increase in the provision on landfill sites was not budgeted for.
	62 506 154	(46 871 154)	15 635 000	88 587 036	72 952 036	
Non-Current Liabilities						
Borrowing	4 984 385	(4 739 000)	245 385	6 213 756	5 968 371	This liability was not budgeted for.
Provisions	7 202 575	(7 742 000)	(539 425)	5 969 950	6 509 375	An increase in the landfill site provision was not expected.]
	12 186 960	(12 481 000)	(294 040)	12 183 706	12 477 746	
Total Liabilities	74 693 114	(59 352 154)	15 340 960	100 770 742	85 429 782	
Net Assets	202 543 706	63 067 684	265 611 390	153 390 107	(112 221 283)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Community wealth/equity						
Accumulated Surplus/(Deficit)	233 807 349	(1 937 114)	231 870 235	153 390 108	(78 480 127)	Effected by prior period errors.
Total community wealth/equity	233 807 349	(1 937 114)	231 870 235	153 390 108	(78 480 127)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Ratepayers and other	23 123 408	-	23 123 408	18 714 903	(4 408 505)	Refer to Statement of financial performance.
Government - operating	26 023 200	-	26 023 200	42 047 904	16 024 704	Cashflow budgeted under goods & Services
Government - capital	13 056 350	-	13 056 350	16 166 000	3 109 650	Cashflow budgeted under goods & Services.
Interest	843 707	-	843 707	1 579 514	735 807	Refer to statement of financial performance
	63 046 665	-	63 046 665	78 508 321	15 461 656	

Payments

Suppliers and employees	(49 576 323)	-	(49 576 323)	(57 159 883)	(7 583 560)	Refer to statement of financial performance.
Finance charges	(680 438)	-	(680 438)	(7 834 289)	(7 153 851)	
	(50 256 761)	-	(50 256 761)	(64 994 172)	(14 737 411)	
Net cash flows from operating activities	12 789 904	-	12 789 904	13 514 149	724 245	

Cash flows from investing activities

Receipts

Proceeds on disposal of PPE	5 305 000	(5 301 000)	4 000	2 192	(1 808)	
Payments						
Capital assets	(13 056 350)	-	(13 056 350)	(12 062 907)	993 443	
Net cash flows from investing activities	(7 751 350)	(5 301 000)	(13 052 350)	(12 060 715)	991 635	

Cash flows from financing activities

Payments

Repayment of borrowing	(270 000)	270 000	-	(1 077 527)	(1 077 527)	
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net increase/(decrease) in cash held	4 768 554	(5 031 000)	(262 446)	375 907	638 353	
Cash/cash equivalents at the year begin:	-	-	-	600 563	600 563	
Cash and cash equivalents at the end of the year	4 768 554	(5 031 000)	(262 446)	976 470	1 238 916	

The accounting policies on pages 22 to 41 and the notes on pages 41 to 103 form an integral part of the financial statements.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	7 571 102	2 076	7 573 178	-		7 573 178	4 068 356		(3 504 822)	54 %	54 %
Service charges	22 751 563	6 301 360	29 052 923	-		29 052 923	19 903 524		(9 149 399)	69 %	87 %
Investment revenue	590 335	18 437	608 772	-		608 772	594 753		(14 019)	98 %	101 %
Transfers recognised - operational	26 023 200	(1 782 354)	24 240 846	-		24 240 846	42 454 812		18 213 966	175 %	163 %
Other own revenue	10 578 265	(6 761 432)	3 816 833	-		3 816 833	5 451 475		1 634 642	143 %	52 %
Total revenue (excluding capital transfers and contributions)	67 514 465	(2 221 913)	65 292 552	-		65 292 552	72 472 920		7 180 368	111 %	107 %
Employee costs	(26 961 026)	534 753	(26 426 273)	-	-	(26 426 273)	(26 784 243)	-	(357 970)	101 %	99 %
Remuneration of councillors	(2 639 699)	-	(2 639 699)	-	-	(2 639 699)	(2 557 024)	-	82 675	97 %	97 %
Debt impairment	(4 011 658)	3 233 839	(777 819)			(777 819)	(7 615 150)	-	(6 837 331)	979 %	190 %
Depreciation and asset impairment	(8 256 389)	23 789	(8 232 600)			(8 232 600)	(9 030 061)	-	(797 461)	110 %	109 %
Finance charges	(541 110)	24 539	(516 571)	-	-	(516 571)	(8 303 303)	-	(7 786 732)	1 607 %	1 534 %
Materials and bulk purchases	(13 690 680)	6 343 617	(7 347 063)	-	-	(7 347 063)	(12 507 720)	-	(5 160 657)	170 %	91 %
Transfers and grants	-	(5 740 768)	(5 740 768)	-	-	(5 740 768)	-	-	5 740 768	- %	DIV/0 %
Other expenditure	(8 806 047)	(1 563 922)	(10 369 969)	-	-	(10 369 969)	(24 412 719)	-	(14 042 750)	235 %	277 %
Total expenditure	(64 906 609)	2 855 847	(62 050 762)	-	-	(62 050 762)	(91 210 220)	-	(29 159 458)	147 %	141 %
Surplus/(Deficit)	2 607 856	633 934	3 241 790	-		3 241 790	(18 737 300)		(21 979 090)	(578)%	(718)%

Thembelihle Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 054 800	5 601 550	19 656 350	-		19 656 350	16 255 357		(3 400 993)	83 %	116 %
Surplus (Deficit) after capital transfers and contributions	16 662 656	6 235 484	22 898 140	-		22 898 140	(2 481 943)		(25 380 083)	(11)%	(15)%
Surplus/(Deficit) for the year	16 662 656	6 235 484	22 898 140	-		22 898 140	(2 481 943)		(25 380 083)	(11)%	(15)%

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 49 Changes in accounting policy.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Cash & Cash Equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and if
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30
Infrastructure	Straight line	
• Roads & Paving		5 - 80
• Electricity		5 - 50
• Water		10 - 100
• Sewerage/ Solid waste		10 - 60
• Water		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		5 - 10
• Emergency Equipment		10
• Furniture & Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant and Equipment		5 - 15

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Site restoration and dismantling cost (Landfill sites)

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

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Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Unspent conditional grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

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1.11 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.12 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.18 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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Accounting Policies

1.18 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or operational commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.28 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

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1.29 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Notes to the Financial Statements

Figures in Rand	2018	2017
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

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2. New standards and interpretations (continued)

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

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2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

IGRAP 19: Liabilities to Pay Levies

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Notes to the Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 16 (as amended 2016): Investment Property

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Notes to the Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

3. Inventories

Consumable stores	22 070	64 540
Water	873	1 226
	22 943	65 766

Carrying value of inventories carried at fair value less costs to sell	22 943	65 767
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Inventories recognised as an expense during the year	990 621	1 251 237
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Inventory pledged as security

No inventory was pledged as security during the current financial period.

4. Receivables from exchange transactions

Deposits	106 780	106 780
Consumer debtors - Electricity	1 525 709	1 482 640
Consumer debtors - Water	257 160	311 279
Consumer debtors - Sewerage	240 056	246 174
Consumer debtors - Refuse	115 435	132 444
Consumer debtors - Arrears	135 365	97 988
Consumer debtors - Rentals	20 381	17 590
Consumer debtors - Other	(19 910)	30 721
	2 380 976	2 425 616

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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5. Receivables from non-exchange transactions

Fines	1 704 627	1 223 761
Consumer debtors - Rates	495 441	365 093
	2 200 068	1 588 854

Receivables from non-exchange transactions impaired

As of 30 June 2018, Traffic fine receivables from non-exchange transactions, due to the impairment raised in the prior year, no impairment was raised for current year due to no change in the traffic services legal matter.

The amount of the traffic fines and provision recognised was as follows.

Traffic Fines	4 626 556	4 083 122
Provision for traffic fines	(2 921 929)	(2 859 361)
	1 704 627	1 223 761

6. Debt impairment

Contributions to debt impairment provision	7 615 150	5 321 007
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The debt impairment indicated above includes both the impairments on Current and Non-Current Debtors.

The Impairment movement is made up as follow:

Opening Balance (Current and Non-Current)	(35 691 078)	(31 239 202)
Provision on Current Debtors	(6 946 353)	(4 451 876)
	(42 637 431)	(35 691 078)

7. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	5 991 061	4 979 121
Consumer debtors - Electricity	5 389 957	5 431 319
Consumer debtors - Water	14 066 579	11 487 303
Consumer debtors - Sewerage	10 663 330	8 845 224
Consumer debtors - Refuse	6 084 600	5 023 932
Consumer debtors - Arrears	1 635 684	1 403 217
Consumer debtors - Rentals	1 585 493	1 218 042
Consumer debtors - Other	(9 635)	(13 151)
	45 407 069	38 375 007

Less: Allowance for impairment

Consumer debtors - Rates	(5 495 620)	(4 614 028)
Consumer debtors - Electricity	(3 864 248)	(3 948 679)
Consumer debtors - Water	(13 809 419)	(11 176 024)
Consumer debtors - Sewerage	(10 423 274)	(8 599 050)
Consumer debtors - Refuse	(5 969 165)	(4 891 488)
Consumer debtors - Arrears	(1 500 319)	(1 305 229)
Consumer debtors - Rentals	(1 565 112)	(1 200 452)
Consumer debtors - Other	(10 275)	43 872
	(42 637 432)	(35 691 078)

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Notes to the Financial Statements

Figures in Rand	2018	2017
7. Consumer debtors disclosure (continued)		
Net balance		
Consumer debtors - Rates	495 441	365 093
Consumer debtors - Electricity	1 525 709	1 482 640
Consumer debtors - Water	257 160	311 279
Consumer debtors - Sewerage	240 056	246 174
Consumer debtors - Refuse	115 435	132 444
Consumer debtors - Arrears	135 365	97 988
Consumer debtors - Rentals	20 381	17 590
Consumer debtors - Other	(19 910)	30 721
	2 769 637	2 683 929
Included in above is receivables from exchange transactions		
Electricity	1 525 709	1 482 544
Water	257 160	311 279
Sewerage	240 056	245 891
Refuse	115 434	132 299
Arrears	69 247	97 986
Rentals	17 130	12 957
Other	2 677	2 967
	2 227 413	2 285 923
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	409 875	456 013
Net balance	2 637 288	2 741 936
Rates		
Current (0 -30 days)	101 812	104 699
31 - 60 days	23 592	32 281
61 - 90 days	19 421	19 917
91 - 120 days	16 235	19 117
121 - 365 days	334 381	189 079
	495 441	365 093
Electricity		
Current (0 -30 days)	924 861	1 023 257
31 - 60 days	352 832	127 571
61 - 90 days	53 329	41 528
91 - 120 days	19 576	24 052
121 - 365 days	175 111	266 232
	1 525 709	1 482 640
Water		
Current (0 -30 days)	100 278	103 051
31 - 60 days	16 756	18 672
61 - 90 days	8 115	12 374
91 - 120 days	6 818	8 741
121 - 365 days	125 193	168 441
	257 160	311 279

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Notes to the Financial Statements

Figures in Rand	2018	2017
7. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	66 034	62 217
31 - 60 days	16 320	19 443
61 - 90 days	12 715	11 464
91 - 120 days	8 281	6 865
121 - 365 days	136 706	146 185
	240 056	246 174
Refuse		
Current (0 -30 days)	29 329	30 053
31 - 60 days	7 356	9 124
61 - 90 days	5 295	4 695
91 - 120 days	4 178	3 646
121 - 365 days	69 277	84 926
	115 435	132 444
Business service levies		
Current (0 -30 days)	6 867	15 453
31 - 60 days	5 335	7 817
61 - 90 days	5 418	7 163
91 - 120 days	3 126	6 408
121 - 365 days	114 619	61 147
	135 365	97 988
Regional services levies		
Current (0 -30 days)	13 755	11 374
31 - 60 days	1 599	-
61 - 90 days	1 599	-
91 - 120 days	178	-
121 - 365 days	3 250	6 216
	20 381	17 590
Housing rental		
Current (0 -30 days)	1 456	688
31 - 60 days	137	462
61 - 90 days	137	416
91 - 120 days	135	416
121 - 365 days	(21 775)	28 739
	(19 910)	30 721

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Notes to the Financial Statements

Figures in Rand	2018	2017
7. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 516 036	1 200 691
31 - 60 days	924 777	485 838
61 - 90 days	645 847	470 982
91 - 120 days	567 146	415 031
121 - 365 days	35 665 254	30 274 540
	39 319 060	32 847 082
Less: Allowance for impairment	(37 591 130)	(31 410 539)
	1 727 930	1 436 543
Industrial/ commercial		
Current (0 -30 days)	205 707	847 623
31 - 60 days	86 452	262 861
61 - 90 days	33 468	151 005
91 - 120 days	39 649	130 775
121 - 365 days	250 953	3 667 053
	616 229	5 059 317
Less: Allowance for impairment	(232 101)	(4 122 603)
	384 128	936 714
National and provincial government		
Current (0 -30 days)	471 242	207 908
31 - 60 days	146 817	61 247
61 - 90 days	112 101	31 077
91 - 120 days	83 045	28 202
121 - 365 days	4 648 008	226 725
	5 461 213	555 159
Less: Allowance for impairment	(4 935 982)	(186 481)
	525 231	368 678
Total debtor past due but not impaired		
31 - 60 days	261 978	215 371
61 - 90 days	25 102	97 556
91 - 120 days	6 342	69 245
121 - 365 days	64 597	1 008 972
	358 019	1 391 144
Reconciliation of allowance for impairment		
Balance at beginning of the year	(35 691 078)	(31 239 202)
Contributions to allowance	(6 946 354)	(4 451 876)
	(42 637 432)	(35 691 078)
8. Other Receivables		
Other receivables consist out of:		
Motor Registration	411 416	411 416
Dispute	184 000	184 000
	595 416	595 416

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Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand	2018	2017
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 486	6 486
Bank balances	796 439	580 294
Short-term deposits	173 545	13 783
	976 470	600 563

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Current Account - Account No. 407-037-030	117 052	263 702	28 890	132 751	13 102	22 981
ABSA BANK - Current Account - Account No. 922-871-4535	-	1 371	1 408	-	-	1 408
STANDARD BANK - Account No. 048-873-772-001	173 545	13 783	2 421 805	173 545	13 783	2 421 805
STANDARD BANK - Account No. 041-879-171	559 798	570 723	122 016	593 126	567 192	159 887
TRAFFIC BANK ACCOUNT No. 063-362-309	42 343	2 167	555 916	42 343	-	55 916
Petty Cash and Float	1 591	7 967	98 132	1 591	6 486	98 132
Total	894 329	859 713	3 228 167	943 356	600 563	2 760 129

10. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8 123 158	-	8 123 158	7 896 064	-	7 896 064

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	7 896 064	227 094	8 123 158

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	7 856 333	39 731	7 896 064

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10. Investment property (continued)

Details of property

Land

Land held for capital appreciation.

- Purchase price: 1 December 2008	3 450 658	3 354 190
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Land and Improvements

Land and Improvements held for capital appreciation.

- Purchase price: 1 December 2008	4 672 500	4 541 874
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2018. The method used by the valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current marked value from analysis of most recent property sales dating from 2009 to current.

The assumptions made were to use the marked related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of Investment Property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of Section 22 of (Act 47) of 2000 of the Property Valuers Profession Bill.

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11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 193 673	-	7 193 673	7 193 673	-	7 193 673
Buildings	4 507 697	(2 704 983)	1 802 714	4 507 697	(2 554 726)	1 952 971
Plant and machinery	1 242 804	(610 717)	632 087	1 229 969	(502 875)	727 094
Furniture and fixtures	1 172 145	(564 955)	607 190	1 179 694	(488 833)	690 861
Motor vehicles	1 248 061	(372 590)	875 471	1 248 061	(321 181)	926 880
Office equipment	1 467 986	(702 114)	765 872	1 392 263	(603 937)	788 326
Finance lease assets	4 270 609	(1 042 387)	3 228 222	1 229 345	(663 462)	565 883
Infrastructure	308 382 943	(113 751 319)	194 631 624	307 860 007	(106 008 160)	201 851 847
Emergency equipment	305 684	(172 208)	133 476	305 684	(165 693)	139 991
Work in Progress	22 418 740	-	22 418 740	11 035 350	-	11 035 350
Total	352 210 342	(119 921 273)	232 289 069	337 181 743	(111 308 867)	225 872 876

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	7 193 673	-	-	-	-	-	7 193 673
Buildings	1 952 971	-	-	-	(150 257)	-	1 802 714
Plant and machinery	727 094	12 835	-	-	(103 900)	(3 942)	632 087
Furniture and fixtures	690 861	-	(6 531)	-	(75 683)	(1 457)	607 190
Motor vehicles	926 880	-	-	-	(51 409)	-	875 471
Office equipment	788 326	143 747	(25 420)	-	(132 740)	(8 041)	765 872
Finance lease assets	565 883	3 591 910	(239 414)	-	(690 157)	-	3 228 222
Infrastructure	201 851 847	111 125	-	411 810	(7 743 158)	-	194 631 624
Emergency equipment	139 991	-	-	-	(6 515)	-	133 476
Work in Progress	11 035 350	11 795 200	-	(411 810)	-	-	22 418 740
	225 872 876	15 654 817	(271 365)	-	(8 953 819)	(13 440)	232 289 069

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	7 193 673	-	-	-	-	7 193 673
Buildings	2 103 227	-	-	(150 256)	-	1 952 971
Plant and machinery	654 677	175 438	-	(103 011)	(10)	727 094
Furniture and fixtures	545 982	205 028	-	(57 476)	(2 673)	690 861
Motor vehicles	801 923	158 361	-	(33 404)	-	926 880
Office equipment	1 343 977	84 732	(515 202)	(119 235)	(6 012)	788 326
Finance Lease Assets	597 275	710 944	(525 602)	(216 734)	-	565 883
Infrastructure	211 420 439	39 930	(25 330)	(7 832 974)	(1 750 147)	201 851 847
Emergency Equipment	149 937	-	-	(6 615)	(3 331)	139 991
Work in Progress	5 754 824	5 280 526	-	-	-	11 035 350
	230 565 934	6 654 959	(1 066 134)	(8 519 705)	(1 762 173)	225 872 876

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11. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and Paving	Straight line	5 - 80
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Emergency Equipment	Straight line	10
Plant & Equipment	Straight line	5 - 15
Community Facilities	Straight line	30
Recreational Facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Sewerage / Solid Waste	Straight line	10 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

Finance lease assets	3 228 222	565 883
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Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	11 035 350	11 035 350
Additions/capital expenditure	11 795 200	11 795 200
Transferred to completed items	(411 810)	(411 810)
	22 418 740	22 418 740

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	5 754 824	5 754 824
Additions/capital expenditure	5 280 526	5 280 526
	11 035 350	11 035 350

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Consumables	320 018	525 133
Security (Guarding of municipal property)	9 965	34 827
Specialist services	143 723	480 279
Subsistence and travelling	30 044	20 346
Lease rentals on operating lease	-	3 561
Chemicals	-	8 100
Other contractors	-	17 256
	503 750	1 089 502

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11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	582 817	(467 304)	115 513	582 817	(404 505)	178 312

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	178 312	(62 799)	115 513

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	268 968	23 127	(683)	(113 100)	178 312

13. Non-current receivables from exchange transactions

Thembelihle Municipality provides two settlement options to Consumer debtors to settle their outstanding service accounts, **Option 1:** 25% of the outstanding balance is paid over 3 years. Once the 25% is settled the remaining 75% of the outstanding account are written off.

Option 2: 60% of the outstanding balance is paid once-off and the remaining 40% of the outstanding balance is written off.

The balance of R437 322 (2017: R460 734), after provision for impairments of R3 865 064 (2017: R2 259 097), reflect the Non-Current portion payable under Option1. The Amount written off under Option 1 and 2 totals R320 769 (2017: R362 012).

14. Loan payable

At amortised cost

DBSA Loans Non Current	3 283 837	3 817 920
DBSA Loans Current	534 614	389 692
	3 818 451	4 207 612

Total other financial liabilities

3 818 451 4 207 612

DBSA Loans are repayable on a quarterly basis at R178 663 with an interest charge of 5% per year. The loan will be fully repaid in September 2024.

Non-current liabilities

At amortised cost	3 283 837	3 817 920
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Current liabilities

At amortised cost	534 614	389 692
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15. Finance lease obligation		
Minimum lease payments due		
- within one year	806 618	261 013
- in second to fifth year inclusive	3 498 530	250 075
	4 305 148	511 088
less: future finance charges	(902 079)	(46 562)
Present value of minimum lease payments	3 403 069	464 526
Present value of minimum lease payments due		
- within one year	488 073	227 038
- in second to fifth year inclusive	2 914 996	237 489
	3 403 069	464 527
Non-current liabilities	2 929 919	253 433
Current liabilities	488 073	261 013
	3 417 992	514 446

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the prime interest rate was 10% (2017: 11%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

16. Payables from exchange transactions

Trade payables	72 725 842	62 026 315
Payments received in advanced	211 788	287 551
Staff Overpaid	17 187	17 187
Rental Deposits	2 770	2 770
Accrued leave pay	1 727 669	2 208 307
Accrued bonus	465 337	462 749
Unallocated deposits received	158 590	157 989
Other payables	504 215	399 230
Retention fees	1 201 643	1 047 821
	77 015 041	66 609 919

17. VAT receivable

VAT	7 002 454	4 599 709
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The Municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

VAT Receivable From SARS	3 626 701	10 673 754
Deferred VAT Claimable	5 873 500	(1 851 940)
Deferred VAT Payable	(2 497 747)	(4 222 105)
	7 002 454	4 599 709

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Figures in Rand	2018	2017
18. Consumer deposits		
Water and electricity	590 054	563 765
19. Employee benefit obligations		
Defined benefit plan		
The plan is a post employment medical benefit plan.		
Post retirement medical aid plan		
The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.		
The municipality is committed to pay 70% of the members post employment medical aid contributions. All subsidies are subject to a maximum of R4 218 for the year ending 30 June 2018. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post employment medical scheme subsidy were 34 in-service members and 6 pensioners.		
The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2018 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation - In-service members	2 327 257	2 047 516
Present value of the defined benefit obligation - Continuation members	2 650 040	3 184 968
	4 977 297	5 232 484
Non-current liabilities	(4 742 456)	(4 978 094)
Current liabilities	(234 840)	(254 390)
	(4 977 296)	(5 232 484)
The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	5 232 484	4 800 374
Vested benefits	(254 390)	(217 968)
Actuarial (gain) / loss	(692 364)	(34 661)
Net expense recognised in the statement of financial performance	691 566	684 739
	4 977 296	5 232 484
Net expense recognised in the statement of financial performance		
Current service cost	211 007	248 401
Interest cost	480 559	436 338
	691 566	684 739
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	692 364	34 661

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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.45 %	9.41 %
Medical cost trend rates	1.98 %	1.57 %
Expected increase in healthcare costs	7.32 %	7.71 %
Future changes in maximum state healthcare benefits	5.12 %	5.41 %

Replacement Ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement Assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership: It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we've assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and Post retirement mortality will have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	5 380 000	5 632 000

Amounts for the current and previous three years are as follows:

	R	R	R
Defined benefit obligation	4 977 297	5 232 485	3 769 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans:

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20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	89 357
Library Grant	1 258 935	1 669 163
Expanded Public Works Programme	11 619	8 299
Municipal Systems Infrastructure Grant	2 175	2 175
Integrated National Electricity Programme	38	38
	1 272 767	1 769 032

Movement during the year

Balance at the beginning of the year	1 769 032	1 546 938
Additions during the year	41 110 000	31 199 001
Income recognition during the year	(41 606 265)	(30 976 907)
	1 272 767	1 769 032

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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21. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	7 803 417	469 014	8 272 431

Reconciliation of provisions - 2017

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	7 844 900	(41 483)	7 803 417

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

The Municipality has reported that both sites are licensed for operations. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2018.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2018. As the closure date is estimated to be at year end, no discount rates were applied.

There is a new site under development at Hopetown at 30 June 2018, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future, but cannot during this year's assessment due to no obligation to rehabilitate yet.

Summary of assumptions made for valuation purpose:

- Disposal rate at the sites less than 25 tonnes per day based on population statistics.
- Capping design based on DWS comments and/or recently issued closure licences in other Municipalities since no closure licences or designs have been issued for the Thembelihle Local Municipality.
- Sufficient quantities of capping material in the proportions as described in section 3.1 of independent valuation report are available from on-site and nearby sources and the rest are to be imported from commercial sources also as described under section 3.1. of the independent valuation report.
- The sites under consideration will be closed and replaced by the new Hopetown Landfill which is in development.
- Clay was replaced by GCL in the design estimate due to the unlikely availability of sufficient quality clay from on-site sources.

22. Third Party collections

The Liability is due to collections on behalf of the Department of safety on which the Municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections, were not paid over to the Department of safety. The balance payable to the Department of safety due to these non-payments is R130 643 (2017: R521 776)

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23. Long Service awards

The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening Balance	1 206 868
Current-service cost	132 509
Interest cost	93 673
Actuarial (Gain)/Loss	-90 496
Employee Benefit vesting's	-66 488
Closing Balance	1 276 066
Current Portion	48 572
Non-Current Portion	1 227 494

Key Financial Assumptions:

Discount rate:	8.66% p.a
General Salary Inflation:	6.24% p.a
Net effective discount rate:	2.28% p.a

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2018.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.24% was obtained from the differential between market yields on index-linked bonds (2.77%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.66%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.66\%-0.50\%)/(1+2.77\%))-1$

Thus, a general salary inflation rate of 6.24% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.28%.

It has been assumed that the next salary increase will take place on 1 July 2019.

Key Demographic assumptions:

Average retirement age: 63 years

Mortality during employment: SA 85-90

Withdrawal from service (Sample annual rates)	Age	Rate Female	Rate Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

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23. Long Service awards (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Salary Scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 6.30% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 45	0.0%

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

Age	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
>55	0%	0%

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		1.276	
General salary inflation	+1%	1.365	7%
	-1%	1.195	-6%
Discount Rate	+1%	1.191	-7%
	-1%	1.371	7%
Average retirement age	-2 yrs	1.158	-9%
	+2 yrs	1.352	6%
Withdrawal rates	-50%	1.510	18%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than the results shown.

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2018

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
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23. Long Service awards (continued)

Central assumptions	132,500	93,700	226,200	
General salary inflation +1%	143,900	100,500	244,400	8%
-1%	122,300	87,600	209,900	-7%
Discount Rate +1%	123,100	97,600	220,700	-2%
-1%	143,200	89,000	232,200	3%
Average retirement age -2 yrs	121,600	85,600	207,200	-8%
+2 yrs	139,300	99,500	238,800	6%
Withdrawal rate -50%	167,600	112,000	279,600	24%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2019

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		144,500	108,400	252,900	
General salary inflation +1%		156,500	116,200	272,700	8%
-1%		133,700	101,500	235,200	-7%
Discount Rate +1%		134,600	112,800	247,400	-2%
-1%		155,600	103,200	258,800	2%
Average retirement age -2 yrs		132,400	98,200	230,600	-9%
+2 yrs		151,700	115,100	266,800	5%
Withdrawal rate -50%		180,800	128,700	309,500	22%

History of liabilities and assets

Accrued Liability	1 276 066	1 206 868
Fair value of plan asset	-	-
Surplus / (Deficit)	(1 276 066)	(1 206 868)
	-	-

Past year and future projected Liability

Opening Accrued Liability	1 206 868	1 134 491
Current-service Cost	132 509	144 554
Interest Cost	93 673	93 188
Expected Benefit Vestings	(66 488)	(24 823)
Total Annual Expense	159 694	212 919
Actuarial Loss / (Gain)	(90 496)	(140 542)
Closing Accrued Liability	(1 276 066)	(1 206 868)
	159 694	212 919

24. Revenue

Service charges	19 903 524	18 520 163
Rental of facilities and equipment	768 333	1 044 843
Interest received (trading)	984 761	559 657
Dividends received (trading)	-	21 820
Licences and permits	219 555	144 874
Commissions received	508 225	100 691
Other income - (rollup)	540 031	272 555
Connection fees	62 109	117 486
Interest received - investment	594 753	505 433
Property rates	4 068 356	3 639 931
Informal Settlement Rates	3 917	67 034
Government grants & subsidies	58 710 169	34 601 459
Fines, Penalties and Forfeits	1 100 800	1 006 900
	87 464 533	60 602 846

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Figures in Rand	2018	2017
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24. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	19 903 524	18 520 163
Rental of facilities and equipment	768 333	1 044 843
Interest received (trading)	984 761	559 657
Dividends received (trading)	-	21 820
Licences and permits	219 555	144 874
Commissions received	508 225	100 691
Other income - (rollup)	540 031	272 555
Connection fees	62 109	117 486
Interest received - investment	594 753	505 433
	23 581 291	21 287 522

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	4 068 356	3 639 931
Licences or permits	63 209	48 002
Informal Settlement Rates	3 917	67 034

Transfer revenue

Government grants & subsidies	58 710 169	34 601 459
Fines, Penalties and Forfeits	1 100 800	1 006 900
	63 946 451	39 363 326

25. Service charges

Sale of electricity	12 351 024	12 269 123
Sale of water	3 634 089	3 350 491
Sewerage and sanitation charges	2 603 769	1 977 246
Refuse removal	1 314 642	923 303
	19 903 524	18 520 163

26. Rental of facilities and equipment

Premises

Premises	719 721	981 252
Venue hire	46 699	45 843
	766 420	1 027 095

Facilities and equipment

Rental of equipment	1 913	17 748
	768 333	1 044 843

27. Interest received

Interest revenue

Bank	594 753	505 433
Receivables from exchange transactions	984 761	559 657
	1 579 514	1 065 090

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28. Licences and permits		
Licences - exchange	219 555	144 874
Licences - non-exchange	63 209	48 002
	282 764	192 876
29. Commissions received		
Commission on motor registration collections on behalf of third party	508 225	100 691
30. Other income		
Garden & Sale of Gravel	39 112	15 965
Building Plans	20 348	55 111
Advertising	11 831	5 103
Grave Plots	9 312	9 165
Insurance payouts	129 017	67 502
Sundry repayments from employees	279 002	91 609
Photostats & faxes	44	1 011
Sewerage obstructions	15 665	9 219
Tender Fees	19 486	3 947
Testing of meters	641	605
Valuation Certificates Issued	15 573	13 318
	540 031	272 555
31. Connection fees		
Relates to the amounts charged for connection of property water and electricity, either if accounts are in arrears or if property has changed hands.		
Consumers	62 109	117 486

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32. Property rates

Rates received

Residential	4 309 925	4 085 371
Less: Income forgone	(241 569)	(445 440)
	4 068 356	3 639 931

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. During the financial period ended 30 June 2017 a new valuation roll was compiled which came into effect in July 2018

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2017/18 financial period there were some alterations and subdivisions which were noted, these changes in individual property values were processed correctly in the current 2017/18 financial period.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Valuations

Residential	197 277 600	211 748 600
Commercial	82 063 800	93 429 600
State	80 123 700	89 042 700
Small holdings and farms	2 882 138 100	2 998 540 100
	3 241 603 200	3 392 761 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2018 (30 September 2017). Interest at prime plus 1% per annum (2017: 11.5%).

The new general valuation was implemented on 01 July 2015.

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33. Government grants and subsidies

Operating grants

Equitable share	20 907 000	19 108 001
Finance Management Grant (FMG)	2 345 000	2 010 000
Water Sanitation Infrastructure Grant (WSIG)	4 000 000	-
Expanded Public Works Programme (EPWP)	996 680	991 701
Library Grant	1 012 228	813 562
LG SETA Grant	24 505	26 147
Treasury's contribution towards Audit Fees	13 169 399	3 323 746
	42 454 812	26 273 157

Capital grants

Municipal Infrastructure Grant (MIG)	8 255 357	8 053 643
Integrated National Electricity Programme (INEP)	8 000 000	-
Regional Bulk Infrastructure Grant (RBIG)	-	274 659
	16 255 357	8 328 302
	58 710 169	34 601 459

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	20 907 000	19 108 001
Unconditional grants received	24 633 770	15 493 458
	45 540 770	34 601 459

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.

All registered indigents receive a monthly subsidy of R 140 (2017: R 140), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	89 357	-
Current-year receipts	8 166 000	8 143 000
Conditions met - transferred to revenue	(8 255 357)	(8 053 643)
	-	89 357

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.

An amount of R 0 (2017: R 0) was withheld from the allocated Equitable share as a refund of unspent MIG funds from previous financial periods.

All current year allocations were fully spent during the year and allocated to revenue under votes.

Library Grant

Balance unspent at beginning of year	1 669 163	1 544 725
Current-year receipts	602 000	938 000
Conditions met - transferred to revenue	(1 012 228)	(813 562)

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33. Government grants and subsidies (continued)

1 258 935	1 669 163
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Conditions still to be met - remaining liabilities (see note 20).

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	8 299	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(996 680)	(991 701)
	11 619	8 299

Conditions still to be met - remaining liabilities (see note 20).

The grants was received for the purpose of creating job opportunities. There were funds that have been withheld from equitable share in the current year relating to closing balances of EPWP grant in 2016/17 Therefore own funds were used by the municipality.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	2 435 000	2 010 000
Conditions met - transferred to revenue	(2 435 000)	(2 010 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	2 175	2 175
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Conditions still to be met - remaining liabilities (see note 20).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	38	38
Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(8 000 000)	-
	38	38

Conditions still to be met - remaining liabilities (see note 20).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

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Notes to the Financial Statements

Figures in Rand	2018	2017
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33. Government grants and subsidies (continued)

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	274 659	274 659
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Conditions still to be met - remain liabilities (see note 20).

This Grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of infrastructure. The balance of expenditures relates to own funds utilised for the operational and maintenance work on sewerage and water schemes, these amounts will not be claimable in the 2017-18 financial period (R 274 659).

Treasury's contribution towards Audit Fees

Balance unspent at beginning of year	-	-
Current-year receipts	13 169 399	3 281 509
Conditions met - transferred to revenue	(13 169 399)	(3 281 509)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor General equal to 1% of their total expenditures per annum. The balance of the audit fees are payable by Treasury.

34. Fines, Penalties and Forfeits

Traffic	1 100 800	1 006 900
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Notes to the Financial Statements

Figures in Rand	2018	2017
35. Employee related costs		
Basic	15 778 264	14 729 628
Medical aid - company contributions	1 135 043	1 078 816
UIF	153 755	152 347
SDL	235 158	(187 190)
Leave pay provision charge	(140 659)	816 991
Defined contribution plans	917 748	922 481
Overtime payments	1 123 656	1 187 954
Long-service awards	-	21 056
13th Cheques	1 120 606	1 163 245
Car allowance	112 511	211 987
Housing benefits and allowances	33 803	62 337
Telephone Allowances	256 800	222 412
Pension fund contributions	2 345 274	2 305 425
Provident fund contributions	56 447	56 313
Stipends	207 283	13 500
Wages	2 100	21 813
Senior management remuneration	3 446 454	3 621 411
	26 784 243	26 400 526

Remuneration of municipal manager

Annual Remuneration	804 628	723 376
Car Allowance	122 809	129 330
Remote Allowance	38 125	34 108
Annual Payment	38 050	163 719
Contributions to UIF, Medical and Pension Funds	105 058	141 126
	1 108 670	1 191 659

The position of MM was vacant from 1 July 2017 until 31 October 2017. An acting allowance was paid during this time to AM Mogale, until the appointment of the new MM, MR Jack, in November 2017.

Remuneration of chief finance officer

Annual Remuneration	580 146	700 116
Annual Payment	30 495	59 194
Remote Allowance	4 943	-
Contributions to UIF, Medical and Pension Funds	89 052	84 758
	704 636	844 068

The position of CFO has been vacant from 1 July 2017 until 30 June 2018. An acting allowance was paid during this time to N Jaxa and JT Oliphant.

Remuneration of corporate services director

Annual Remuneration	640 134	767 239
Annual Payment	67 716	-
Car Allowance	57 600	14 400
Housing Allowance	24 244	5 645
Remote Allowance	-	11 669
Contributions to UIF, Medical and Pension Funds	113 507	56 826
	903 201	855 779

The Position of Corporate Services Director was vacant from 1 December 2016. An acting allowance was paid to VJ Mpamba from 1 July 2017 until 30 June 2018.

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Notes to the Financial Statements

Figures in Rand	2018	2017
35. Employee related costs (continued)		
Remuneration of technical services director		
Annual Remuneration	700 116	700 116
Car Allowance	28 005	28 005
Contributions to UIF, Medical and Pension Funds	1 826	1 784
	729 947	729 905
36. Remuneration of councillors		
Councillors (Total Packages)	2 557 024	2 258 578
37. Administrative expenditure		
Administration and management fees	60 591	55 598
Administration and management fees - related party	-	511
	60 591	56 109
38. Depreciation and amortisation		
Property, plant and equipment	8 967 261	10 281 880
Intangible assets	62 800	113 100
	9 030 061	10 394 980
39. Finance costs		
Non-current borrowings	206 828	224 623
Trade and other payables	7 423 508	8 103 931
Finance leases	203 953	54 483
Increase in Rehabilitation Provision	469 014	(41 483)
	8 303 303	8 341 554
40. Operating lease		
The Municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2016 and is renewable on an annual basis. During the 2018 year of assessment, the renewal was performed in October 2017.		
<ul style="list-style-type: none"> The rent payable on a monthly basis amounts to R4 080, exclusive of VAT. No escalation clauses exists and the contract is renewable after a year. Future rent payable: 		
Amount payable within 1 year	12 240	20 400
Amount payable from 2 to 5 years	-	-
Amount payable after 5 years	-	-
	12 240	20 400
41. Bulk purchases		
Electricity	12 034 590	12 258 906
Water	473 130	479 958
	12 507 720	12 738 864

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Figures in Rand	2018	2017
42. Contracted services		
Operating Leases	2 300	-
Specialist Services	197 839	520 142
Other Contractors	7 734	17 893
	207 873	538 035
43. General expenses		
Advertising	53 588	188 969
Auditors remuneration	3 019 170	2 081 745
Bank charges	102 962	101 632
Consulting and professional fees	4 013 835	3 829 589
Consumables	385 183	753 361
Delivery expenses	25 484	14 567
Entertainment	6 411	12 594
Insurance	501 413	314 654
IT expenses	489 009	466 600
Motor vehicle expenses	412 553	438 507
Fuel and oil	606 962	653 757
Postage and courier	48 987	86 327
Printing and stationery	205 627	173 332
Protective clothing	8 206	90 632
Project maintenance costs	7 638 246	974 980
Royalties and license fees	1 651 581	720 749
Security (Guarding of municipal property)	9 965	434 066
Staff welfare	9 823	15 645
Subscriptions and membership fees	500 000	500 000
Telephone and fax	295 186	592 255
Training	-	67
Electricity	590 552	629 729
Refuse	1 700	-
Free Basic Services	295 292	295 793
Special Programs	236 451	235 852
Subsistence and Traveling	1 375 111	1 621 326
Speed Law Enforcement	156 679	7 545
Cash shortages	4 709	-
Chemicals	530 710	617 697
Property only	-	2 500
	23 175 395	15 854 470
44. Fair value adjustments		
Investment property (Fair value model)	227 094	39 731

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Notes to the Financial Statements

Figures in Rand	2018	2017
45. Cash generated from operations		
Deficit	(2 481 943)	(22 014 485)
Adjustments for:		
Depreciation and amortisation	9 030 061	10 394 980
Gain (loss) on sale of assets and liabilities	269 173	662 497
Fair value adjustments	(227 094)	(39 731)
Debt impairment	7 615 150	5 321 007
Actuarial cost	(973 441)	(271 029)
Movements in provisions	469 014	(41 483)
Adjustment to employee benefit obligations	691 566	684 739
Adjustments to long service awards	226 182	237 742
Changes in working capital:		
Inventories	42 823	(16 871)
Receivables from exchange transactions	(6 569 161)	(5 027 712)
Consumer debtors	26 289	41 005
Receivables from non-exchange transactions	(1 589 156)	(1 321 594)
Other receivables	-	167 701
Employee benefits	(478 050)	718 002
Payables from exchange transactions	10 883 176	15 092 174
VAT	(2 402 745)	68 615
Unspent conditional grants and receipts	(496 265)	(37 629)
Third Party Collections	(391 133)	(621 990)
Contributions paid to Long Service Awards	(66 488)	(24 823)
Contributions paid to Employee Benefit Obligations	(63 809)	(122 141)
	13 514 149	3 848 974
46. Other revenue		
Commissions received	508 225	100 691
Other income - (rollup)	540 031	272 555
Connection Fees	62 109	117 486
	1 110 365	490 732
47. Auditors' remuneration		
Fees	3 019 170	2 081 745
Fees paid consists of the following:		
External audit fees	2 579 889	1 627 379
Consulting - Internal audit fees	439 281	454 366
	3 019 170	2 081 745
48. Financial instruments disclosure		
Categories of financial instruments		
2018		
Financial assets		
	At cost	Total
Trade and other receivables from exchange transactions	2 380 976	2 380 976
Other receivables from non-exchange transactions	2 200 068	2 200 068
Cash and cash equivalents	976 470	976 470
Other Receivables	595 416	595 416

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Financial instruments disclosure (continued)

6 152 930 6 152 930

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	3 417 991	-	3 417 991
Loans payable	3 818 451	-	3 818 451
Trade and other payables from exchange transactions	-	77 015 042	77 015 042
Third party collections	-	130 643	130 643
	7 236 442	77 145 685	84 382 127

2017

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2 425 616	2 425 616
Other receivables from non-exchange transactions	1 588 854	1 588 854
Cash and cash equivalents	600 563	600 563
Other receivables	595 416	595 416
	5 210 449	5 210 449

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	514 446	-	514 446
Loans payable	4 207 612	-	4 207 612
Trade and other payables from exchange transactions	-	66 609 919	66 609 919
Third party collections	-	521 776	521 776
	4 722 058	67 131 695	71 853 753

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Figures in Rand	2018	2017
49. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	28 936 129	8 918 985
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	30 143 828	57 013 743
Total capital commitments		
Already contracted for but not provided for	28 936 129	8 918 985
Not yet contracted for and authorised by accounting officer	30 143 828	57 013 743
	59 079 957	65 932 728
Total commitments		
Total commitments		
Authorised capital expenditure	59 079 957	65 932 728

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

50. Contingencies

Contingent Liabilities

No contingent liabilities have been identified.

Contingent assets

No contingent assets have been identified.

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51. Related parties

Relationships

Accounting Officer (November 2017 to June 2018)

Acting Accounting Officer (July 2017 to October 2017)

The accounting officer had no interest in contracts during the year

Maikaelelo Mining
Loyiso Management Systems
Lorabi 23
Ledig Investments
Tlosaleuba Consulting Services
Mahlasedi Investment Holdings
Mosogoli Trading and Investments
Tiwaelo Enterprises
Meriting Investments
Mahlasedi Investment Holdings
Tswelelopele Investment Holdings
Squires Kimberley
J M P L C Investment Holdings
City Square Trading 399
Swanvest 341

Shareholder with joint control

Leitlho Investments
Theta Mining
Samber Trading No 152
VJ Mpamba - None
S Marufu - Tlosaleuba Consulting Services
N Jaxa - Laphuma Ikwezi Trading
JT Oliphant - None
X Manzi - Imbhokotho Family Trading
T Gorrah - None
F Human - ML Traffic Fine Consultants
N Mgununde - None

Council

J Breyll - None
J Thomas - None
B Mpamba - Thembelihle Bricks
B Tshangela - Thembelihle Agricultural
HL Brits - Oranjerivier Sekuriteit
J Tallies - Jaruba Business Solutions
PM Naude - None
R Ngxabazi - none
S Swartling - None

Related party balances

Accounts included in Trade Receivables regarding related parties

Jonas DA	-	6 635
Humphreys MA	-	96 719
Gorrah TP	-	103
Marufu S	-	(142)
De Bruin E	-	4 967
Brits H	-	(553)
Tshangela B	-	(2)
Swartling S	-	5 278
Jack MR	14 513	-

Rent received from related parties

Dwango S	-	4 387
Gorrah TP	21 442	18 901
Jonas D	-	2 769
Molusi TC	17 321	15 755
Marufu S	42 007	31 505

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51. Related parties (continued)

Mgununde N	-	9 750
Graham L	8 917	8 110
Ramabodu K	12 428	11 294
Goaya R	12 136	10 307
Johannes U	-	4 175
Jack MR	14 513	-

Provision for bad debts

Jonas DA	-	3 044
Humphreys MA	-	96 526

Related party transactions

Purchases from related parties

MTN Service Provider	48 418	49 557
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It has been identified that Maserame Rebecca Mouyeme, who is a non-executive Director at MTN Service Provider, has been in the employment of Johannesburg Fresh Produce in the previous 12 months. The payments made to this supplier as per the general ledger amounts to R48 418. As this amount exceeds R2 000, this is disclosed as a related party transaction as set out in Supply Chain Management Regulation 45.

Compensation to accounting officer and other key management

Accounting Officer - AM Mogale	384 911	1 191 659
Accounting Officer - MR Jack	723 758	-
Corporate Services Director - NE Mguye (2017)	-	304 127
Corporate Services Director - TP Gorrah (2017 Acting)	-	329 519
Corporate Services Director - VJ Mpamba	903 201	222 133
Chief Financial Officer - X Manzi (2017 Acting)	-	205 227
Chief Financial Officer - N Jaxa (Acting)	688 326	638 840
Chief Financial Officer - JT Oliphant	16 310	-
Technical Services Director - S Marufu	729 947	729 905
Mayor - B Mpamba	832 868	773 712
	4 279 321	4 395 122

Compensation to councillors

S Swartling	347 069	290 208
B Tshangela	347 069	290 208
J Tallies	347 069	290 208
R Ngxabazi	383 881	299 282
H Brits	384 847	303 525
P Naude	286 644	156 110
SE Madekane	-	31 962
E De Bruin	-	31 966
A Kywe	-	31 961
MA Humphreys	-	31 911
	2 096 579	1 757 341

52. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

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Notes to the Financial Statements

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52. Prior-year adjustments (continued)

Statement of financial position

2017

	Note	As previously reported	Correction of error	Restated
Other receivables	8	763 117	(167 701)	595 416
Property, plant and equipment	11	225 856 477	16 403	225 872 880
Loans payable	14	(4 073 328)	(134 284)	(4 207 612)
Payables from exchange transactions	16	(66 070 574)	(539 344)	(66 609 918)
Third party collections	22	(1 143 766)	621 990	(521 776)
Accumulated surplus		(156 074 992)	202 936	(155 872 056)
		(743 066)	-	(743 066)

Statement of financial performance

2017

	Note	As previously reported	Correction of error	Restated
Service charges	25	(20 729 930)	2 209 767	(18 520 163)
Donations received		(2 310 590)	2 288 770	(21 820)
Commissions received	29	(64 013)	(36 678)	(100 691)
Other income	30	(441 134)	168 579	(272 555)
Property rates	32	(3 881 994)	242 063	(3 639 931)
Informal settlement rates		(153 674)	86 640	(67 034)
Licences and permits - non-exchange	28	(315 790)	267 788	(48 002)
Employee related costs	35	26 241 454	159 073	26 400 527
Remuneration of councillors	36	2 258 727	(149)	2 258 578
Depreciation	38	10 393 463	1 518	10 394 981
Finance costs	39	8 342 303	(749)	8 341 554
Lease rentals on operating lease		405 912	3 561	409 473
Repairs and maintenance		1 099 376	(1 099 376)	-
Bulk purchases	41	12 838 864	(100 000)	12 738 864
Contracted services	42	40 500	497 535	538 035
General expenses	43	18 225 259	(2 370 790)	15 854 469
Surplus for the year		51 948 733	2 317 552	54 266 285

Notes to the Annual Financial Statements

2017

		As previously reported	Correction of error	Restated
Commitments - Already contracted for	49	7 073 848	1 845 137	8 918 985
Commitments - Not yet contracted for	49	58 858 880	(1 845 137)	57 013 743
Unauthorised expenditure	56	14 125 604	4 011 370	18 136 974
		80 058 332	4 011 370	84 069 702

Errors

A number of of accounts were re-stated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

The following prior period errors adjustments occurred:

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52. Prior-year adjustments (continued)

Correction of error

Loans payable

A journal amount to R135 033 difference on the loans payable was not passed in the 2016 year of assessment, resulting in the loans payable note not agreeing to the DBSA statements received.

Incorrect interest journals were also passed during the 2017 year of assessment.

Resulting from the above, journals were passed to include the R134 284 previously excluded in the loans payable balance, and to reverse the incorrect interest journals passed. An additional journal was also passed to correct the current and the non-current portions of the line item, which had no net effect on the loans payable.

Third party collections

The 2017 balance for the third party collections was not updated for the 2017 transactions which took place. This resulted in the motor vehicle receipts on behalf of the third party and the payments to the third party being included in the Statement of Financial Performance.

A journal amounting to R621 990 was passed to correct this, whereby the motor vehicle transactions were reallocated to the third party collection vote, and the 12% commission per the statements from the third party was raised as income. The commission amounted to R36 678.

Employee related costs

For the 2017 year, the subsistence and travelling expenditure was moved to employee related costs for the Section 57 employees in order to be disclosed separately. As the subsistence and travelling allowances does not relate to these employees' remuneration packages, this was reversed and the subsistence and travelling were included in the general expenses with the other employees' travelling and subsistence payments. The adjustment amounted to R439 032.

Donations received

Donations received in 2016 were incorrectly included on the Statement of Financial Performance for the 2017 year. An adjustment of R2 288 770 was made to treat the amount as income received during the 2016 year.

Councillors remuneration

A UIF amount of R149 was included in the councillors remuneration for 2017, instead of the employee related costs. This was corrected in the comparatives for the 2018 year.

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52. Prior-year adjustments (continued)

Bulk purchases

An amount of R500 000 was paid for bulk purchases, but only R400 000 was captured in error. This was corrected in the current year.

Leave accrual

A manual recalculation of the leave balances was performed, resulting in an adjustment to the leave balances for 2016 of R41 388, and an adjustment to the leave balances for 2017 of R597 956.

Other income

An insurance payout received in 2016 were incorrectly included on the Statement of Financial Performance for the 2017 year. An adjustment of R2 264 was made to treat the amount as income received during the 2016 year.

Other receivables

A settlement received in 2017 for a dispute amount of R167 700.88 was instead of being set off against the other receivable balance.

Property plant and equipment

Assets were identified by Market Demand, which were not recognised in the prior year. This amounted to an adjustment to cost of R20 521 and an adjustment to accumulated depreciation of R1 877. They also noted an asset where the cost price was incorrectly capture in 2017. This resulted to an adjustment to cost of R2 604 and an adjustment to accumulated depreciation of R360.

Free basic services

It was noted that free basic service amounts, which were supposed to be set off against the revenue, was included under general expenditure, line item Free Basic Services. The amount of R2 538 470 was reallocated to be set off against revenue.

Commitments and Unauthorised expenditure

The schedules were reviewed for the prior year and errors thereon adjusted. Based on these adjusted schedules, the prior year disclosure for the commitments and unauthorised expenditure were adjusted in the current year.

Change in accounting policy

No change in accounting policies occurred during the year under review.

[If retrospective application is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

Reclassifications

Repairs and maintenance were reclassified according to the nature of the expenditure, in order to be in line with paragraph 104 of GRAP 1, which requires that an entity presents an analysis of expenditure either by nature or by function.

In the General Expenses note, the item named TVS in prior period financial statements have been renamed Speed Law Enforcement to improve understanding of what this line item relates to.

53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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53. Risk management (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivables from exchange transactions	2 380 976	2 425 616
Receivables from non-exchange transactions	2 200 068	1 588 854
Other receivables	595 416	595 416

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2018 and 2017, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.00 %	4 581 044	-	-	-	-
Other receivables	- %	595 416	-	-	-	-
Cash in current banking institutions	- %	976 470	-	-	-	-
Trade and other payables - extended credit terms	- %	77 015 042	-	-	-	-
Loan from DBSA	- %	534 614	3 283 837	-	-	-
Finance leases	- %	488 073	2 929 919	-	-	-
Third party collections	- %	130 643	-	-	-	-

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54. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 153 390 108 and that the municipality's total assets exceed its liabilities by R 153 390 108. In the current financial year, the municipality had an operating deficit of R2 481 943.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently relies on grants received from National and Provincial government.

The following matters have been considered relating to the going concern:

- Council approved the budget for the 2018/19 to 2020/21 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF), which supports the ongoing delivery of municipal services to residents reflected that the budget, was backed over the three year period.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including associated risks and remedial actions to be instituted.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- A strategy has been developed to improve debt collections on outstanding accounts. The policy will be strictly applied by handing over outstanding accounts, cutting off of services such as electricity and restricting water flows. The Municipality will also be implementing a blacklisting strategy where long outstanding debtors will be blacklisted. Distribution losses are also being inspected on a monthly bases for electricity and water, procedures to be implemented by management to improve The percentage loss month on month and finding alternatives.
- ¹- The current ratio, also referred to as the operating capital ratio in municipalities, is a financial ratio that measures whether or not the institution has enough resources to pay its debts within the next 12 months. The current ratio is thus an indication of an institution's ability to meet short-term obligations. Acceptable current ratios vary from industry to industry. Swanevelder (1991: 193) determined the current ratios of municipalities to be 1.98 : 1. If a municipality's current assets are in this range, then it is generally considered to have good short-term financial strength. If current liabilities exceed current assets (and the current ratio is below 1), then the institution may have problems meeting its short-term obligations. If the current ratio is too high, the institution may not be efficiently utilising its current assets (Swanevelder 2005: 73). The calculated ratio of the municipality is 0.13 : 1, which is below the acceptable range.
- The acid-test or quick ratio:Swanevelder (1991: 193) determined an acid test ratio of between 105.6% (or 1.06 : 1) and 282.4% (or 2.82 : 1) for a sample group of municipalities in 1991. The fact that the keeping of inventory is not part of a municipality's major activities is noticeable in this relatively high ratio. The calculated ratio of t he municipality is 0.13 : 1, which is below the acceptable range.
- The solvency ratio: The solvency of a municipality is best expressed by the debt ratio (Scott 2001: 148). This ratio compares the total assets with total liabilities, and it shows the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. An acceptable ratio is 1 : 1. The calculated ratio of t he municipality is 2 : 1, which is above the acceptable range
- All creditors are not paid within the required 30 days.

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55. Events after the reporting date

No events occurred after the reporting date.

56. Unauthorised expenditure

Unauthorised expenditure	57 959 706	39 822 732
Unauthorised expenditure - current year	29 809 797	18 136 974
	87 769 503	57 959 706

57. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	15 142 443	8 984 676
Fruitless and wasteful expenditure - current year	7 376 024	6 157 767
	22 518 467	15 142 443

Interest charges on overdue accounts: The Municipality was charged for interest on outstanding accounts. The main creditors that charged interest consist of:

Eskom	6 554 489	5 027 141
Auditor General	758 272	959 296
Other Creditors	63 263	171 330
	7 376 024	6 157 767

58. Irregular expenditure

Opening balance	111 541 075	99 174 393
Add: Irregular Expenditure - current year	1 324 385	12 366 682
	112 865 460	111 541 075

Analysis of expenditure awaiting condonation per age classification

Current year	1 324 385	12 366 682
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58. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
PC WORLD / PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC WORLD / PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC WORLD / PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC WORLD / PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
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PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 414
PC TRIO DOUGLAS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	44 455
MVD KALAHARI	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	65 789
MVD KALAHARI	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	328 947
MVD KALAHARI	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	140 351
MVD KALAHARI	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	166 667
MASIKHULE TRADING	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	54 600
FIDELITY	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	33 086
SANITECH	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	46 350

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58. Irregular expenditure (continued)

MASILAKHE INVESTMENTS

No disciplinary actions have been taken. The transactions will be presented to Council for investigation.

40 000

1 324 385

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59. Deviations

	Reason for deviation	
Astra Travel	The municipality has a contract with Astra Travel	4 760
C-Pumps	C-Pac Pumps is the supplier of the pumps. For another supplier to give a quote, the municipality would need to pay a call-out fee for them to inspect the pumps	5 130
Palms Guesthouse	Only service provider registered on the CSD locally	2 560
Silver Solutions	This is a local supplier who had all the parts in stock that was required for an urgent repair	5 076
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 600
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 900
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	8 485
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 100
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 200
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 000
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 781
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 400
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 600
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 950
Engineering Council of SA	Sole provider in the engineering field. The technical manager is a member of this association	3 072
SAICE		3 956
Daisy Communications SA	Canon is the supplier of telecommunication and for maintenance they recommended the use of Daisy Communication	7 267
University of the Free State	The most affordable service provider compared with the others	59 124
Palms Guesthouse	Only service provider registered on the CSD locally	2 560
O'Jays Logistics and Trading	Only two suppliers supplied quotes for the event and this supplier was the most affordable	7 000
Media 24	City press is the only national newspaper that is available locally	11 491
CS Electrical Training	Previous training was attended and a second session was required	8 600

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Masilakhe Investments	Assistance with the development of the IDP for the municipality	40 000
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 278
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 900
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 774
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	11 402
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 774
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 774
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 200
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 112
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 100
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 174
SA Post Office	Sole provider for the stamped envelopes	11 794
Imperial Nissan	Nissan is the agent and provides the original parts that last longer	2 100
Astra Travel	The municipality has a contract with this supplier	13 314
Ronnie Reed	Strip and quote	7 095
Tips Maintenance	Quotations were requested for insurance purposes as the aircons had to be replaced	69 452

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PCI Africa	A pre-investigation was done, PCI Africa was the only supplier who could repair the waterworks inlet flow meter chamber actuator which was urgently required for operation	18 970
Gariep Motors	Gariep Motors is the agent for Mercedes and provided the only quotation for the vehicle repairs because of the year and model	3 845
Media 24	City press is the only national newspaper that is available locally	7 860
Jason Jantjies	Related to the Heritage Day function held in Strydenburg by the library	3 000
Mafela Couriers	They are the only local courier that is registered on the CSD	3 440
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 046
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 100
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 100
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 615
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 183
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 600
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 615
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 920
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 182
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 600

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OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 900
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 500
W/Dynamics	The supplier assisted the municipality with the selection process to appoint a new municipal manager	24 708
PCI Africa	It was an emergency for the waterworks inlet flow meter chamber actuator be repaired	49 148
Free State Springs Manufacturers	The supplier specialises in the repair of car springs and is the closest place to the municipality	3 374
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 500
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 255
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 315
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 715
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 427
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 947
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 546
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 546
Protea Hotels	The supplier was the closest to the meeting that had to be held and had accommodation for all three individuals	3 600
SA Post Office	Sole provider for the stamped envelopes	40 255

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Explosive Design	Website administrators	6 950
Spectrum Communications	Sole provider for the telemetry system	24 932
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	19 023
Media 24	City press is the only national newspaper that is available locally	11 491
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 068
Palms Guesthouse	Only service provider registered on the CSD locally	2 560
Gear and Diff Centre	Strip and quote	3 673
Centimax Cyno Trading	Only two suppliers responded to the request for a quote	11 226
Palms Guesthouse	Only service provider registered on the CSD locally	18 560
Awies Taxi Dienste	The supplier was the only one available at the time to transport people to De Aar	3 700
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 568
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 234
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 259
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 700
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 630
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	9 736
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 303
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 684
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	8 652

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OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	8 052
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 596
Palms Guesthouse	Only service provider registered on the CSD locally	14 080
Mafela Couriers	They are the only local courier that is registered on the CSD	2 300
Awie & Seuns	This was the only supplier who responded to the request for a quote to transport officials from Strydenburg to Hopetown to attend the year end function and back	4 650
Venter Hersteldienste	Due to an emergency the supplier was used as they are local and had all the parts required in store	17 574
Spectrum Comm	Sole provider for the service required	25 083
Tips and Maintenance	Only two service providers responded to the request for a quote	12 075
Tips and Maintenance	Only two service providers responded to the request for a quote	18 105
HPT Landgenootskap 34946	HPT Landbougenootskap had the facility required for the municipality's year end function	1 800
Trans Atlantic	The supplier does the calibration of the Traffic Cameras and the Calibration lasts only six months. They are the service provider of the cameras	5 668
Astra Travel	The municipality has a contract with this supplier	5 792
University of the Free State	The most affordable service provider compared with the others	41 679
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	31 743
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 642
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 250
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 100
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 768
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 300
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 400
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 400

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Figures in Rand

OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 272
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 372
Palms Guesthouse	Only service provider registered on the CSD locally	9 600
Helcon Sales	Helcon Sales is the only local supplier who specialises in cylinder repairing and	7 444
Mafela Couriers	They are the only local courier that is registered on the CSD	2 410
Venter Hersteldienste	Venter Hersteldienste are local and they had all the parts required in store	2 890
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 399
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 000
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 146
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 250
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 260
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 000
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 059
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 059
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 150
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 498
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 600
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 400
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 700

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Figures in Rand

OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 095
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 728
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 309
Spectrum Communications	Investigation to determine the exact cause of the failure of the system supplied by Spectrum	21 101
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 660
Alimosa Trading Enterprise	Urgent moving of bricks to make way for the planning of the One Stop Vehicle testing station	8 500
Spectrum Communications	Repairing the faulty SCADA Software (second payment)	21 102
HJ Upholsterers	Only one quotation could be obtained as the supplier would need to inspect the radiator in order to quote	2 200
Mafela Couriers	They are the only local courier that is registered on the CSD	3 280
Forever Hotel	All other guesthouses were fully booked and this was therefore the sole supplier available	3 600
O'Jays Logistics and Trading	This was the only supplier registered on the CSD for the sound system	3 500
University of the Free State	The most affordable service provider compared with the others	22 516
EL Hoogstander	This was the only supplier who responded to the request for the quote	3 250
Ronnie Reed	Only one quotation could be obtained as the supplier would need to inspect the radiator in order to quote	2 848
Lucky Taxis	Only one supplier quoted to drive pupils from Hopetown to Kimberley	3 250
Mafela Couriers	They are the only local courier that is registered on the CSD	1 570
Media 24	City press is the only national newspaper that is available locally	8 253
Conlog	This is the sole supplier	22 919
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 386
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 734
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 756
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 060
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 559
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 559

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Notes to the Financial Statements

Figures in Rand

OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 200
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 350
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 702
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	4 035
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 700
Woodrow Engineering	Spectrum Communications is the supplier of the Telemetry System and they recommended Woodrow Engineering to investigate	9 557
Driving Licence card account	The card licence account is for the renewal of PDP licences. This agreement is between the municipality and the Department of Safety and Liaison	9 638
Media 24	City press is the only national newspaper that is available locally	8 253
Windeed	Sole provider of the service required	2 426
Mafela Couriers	They are the only local courier that is registered on the CSD	2 240
Aas Operations	De Aar Chemicals could not provide the municipality with the staff required for the water and Aas Operations could assist	13 819
University of the Free State	The most affordable service provider compared with the others	32 204
SA Post Office	Sole provider for the stamped envelopes	15 374
Ronnie Reed	Only one quotation could be obtained as the supplier would need to inspect the radiator in order to quote	8 633
The Palms Guesthouse	The other available guesthouses which are registered on the CSD were fully booked, only this guesthouse had rooms available	5 760
Silver Solutions	The other suppliers did not respond to the request for a quote. The supplier had all the parts in stock and the vehicle had to go for a roadworthy test. This was an emergency	3 979
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 634
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 634
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	1 865
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 434

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OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	1 200
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 117
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	1 700
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 352
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 900
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 350
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 700
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 704
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 000
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 750
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 265
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 500
Palms Guesthouse	The other available guesthouses which are registered on the CSD were fully booked, only this guesthouse had rooms available	14 720
SA Post Office	Sole provider for the stamped envelopes	26 166
Slam Paper Dist	The sole providers for the rolls required for the Standard Bank machine in Strydenburg	1 110
Browns Manor	Only one quote was requested as it was short notice and it was the nearest guesthouse to the event	4 150

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Driving Licence card account	The card licence account is for the renewal of PDP licences. This agreement is between the municipality and the Department of Safety and Liaison	4 029
Mafela Couriers	They are the only local courier that is registered on the CSD	1 400
TF Fourie Inc	The other suppliers contacted did not respond the request for a quote	1 079
Spectrum Comm	This was for the assessment of the repair of Hopetown Reservoir	16 155
C-Pac Pumps and Valves	This was for an emergency call out in Hopetown for the Vergenoeg sewer pump station that was broken and needed to be repaired	59 157
Media 24	City press is the only national newspaper that is available locally	44 629
Strike Technology S35183	Only two service providers responded to the request for a quote	26 922
Oranje Ondernemings	Only two service providers responded to the request for a quote and this one was the most affordable. This related to the meter readings in town	3 300
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	3 400
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 600
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 473
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 700
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 049
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 434
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	33 412
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	2 000

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OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 500
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 100
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	1 000
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 677
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	5 892
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 963
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 077
STB Sweiswerke	The supplier was the only one who could fix the truck tank that was required for the VIP toilets in Strydenburg. It was inexpensive and quick	1 050
Palms Guesthouse	They were registered on the CSD and had inexpensive accommodation available at that time	16 640
Plumbblink	Plumbblink is used for the maintenance of the Steynville water network	1 420
Kimhydraulics CC	Out of three available suppliers in Kimberley and Bloemfontein, this one was selected as the previous service was done by Helcon in Kimberley. This supplier was familiar with the vehicle and could therefore quote	18 072
O Jays Logistics and Trading	This supplier normally provides the sound system for the council's "meet the people" program	1 800
Mafela Couriers	They are the only courier that is registered on the CSD and is the most inexpensive in Hopetown	1 920
Media 24	Advertising of vacancies in a nationwide publication	8 325
Parrot Guesthouse	The other available guesthouses which are registered on the CSD were fully booked, only this guesthouse had rooms available	8 960
O Jays Logistics and Trading	This supplier normally provides the sound system for the council's "meet the people" program	1 000
De Aar Printers CC	The need for the printing was urgent. One of the other suppliers could not assist with a quotation and the other supplier did not respond. De Aar Printers assisted with the urgent request	1 602
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 100
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 100
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	4 971
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	3 436
OVK Strydenburg	Strydenburg has only two filling stations, of which only OVK is included on the CSD	2 426

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OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	5 500
OVK Hopetown	Out of the three available suppliers, the one does not want to do business with the municipality, and the other requires a blank cheque. The municipality deemed this to be too risky and therefore made use of OVK	6 877
Lizendas Events	There were only two quotes, and the one from Lizendas was the most affordable. The AIDS event catering was organised on short notice	3 040
		1 759 225

60. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	9 868 283	9 900 599
Current year subscription / fee	3 856 014	3 323 746
Amount paid	(13 169 399)	(3 356 062)
Closing Balance	554 898	9 868 283

PAYE and UIF

Opening balance	(193)	(193)
Current year subscription / fee	3 849 440	2 975 417
Amount paid - current year	(3 849 440)	(2 975 417)
Closing Balance	(193)	(193)

Pension and Medical Aid Deductions

Opening balance	(25 150)	(25 150)
Current year subscription / fee	5 796 582	4 703 817
Amount paid - current year	(5 796 582)	(4 703 817)
	(25 150)	(25 150)

VAT

VAT receivable	7 002 454	4 599 709
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VAT output payables and VAT input receivables are shown in note .

Not all VAT returns have been submitted by the due date throughout the year.

61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 818 451	4 207 612
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

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Figures in Rand

62. Distribution Losses - Water

Water

Water units available for sale (KI)	1 601 660	1 601 130
Water units sold (KI)	(608 517)	(582 940)
Water units lost (KI)	1 601 660	1 018 190
Average cost per unit R)	8	8
Total loss in Rand Value	7 458 505	8 206 612

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 62% (2016: 64%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 7.51 (2016: R 8.06). The level of the distribution losses are not within the acceptable norms.

63. Distribution Losses - Electricity

Electricity

Electricity units bought (Kwh)	9 763 613	9 898 886
Electricity units sold (Kwh)	(6 578 200)	(6 869 110)
Electricity units lost (Kwh)	3 185 413	3 029 776
Highest Electricity Rate	2	2
Total loss in Rand Value	5 797 451	6 453 423

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 33% (2016: 31%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R 1.82 (2016: R 2.13). The level of the distribution losses are not within the acceptable norms.

64. Change in estimate

Property, plant and equipment

The useful life of certain items of property plant and equipment and intangible assets have been revised (Change in Estimate) as follow:

	<u>2017/18</u>	<u>2017/18</u>
<u>Other assets</u>		
Intangible assets	5 years	The Useful life of one of intangible assets was extended by 2 years

The effect of this estimate revision has been set out below for each class of asset and the depreciation:

Change in estimate

During the year the following changes were made to the estimations employed in the accounting for transactions, assets, liabilities, events and circumstances:

Change in depreciation resulting from reassessment of useful lives. The following categories are affected:

	Value derived using the original estimate	Value derived using amended estimate	R-value impact of change in estimate
Intangible assets	77 643	25 834	(51 809)

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Appendix A

June 2018

Un-audited Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at Friday, 30 June 2017	Received during the period	Redeemed written off during the period	Balance at Saturday, 30 June 2018	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DBSA Loan @ 5%	61007287	4 207 612	-	389 161	3 818 451	-	-
		4 207 612	-	389 161	3 818 451	-	-
Lease liability							
Leases	All Finance Leases	514 446	3 591 910	688 364	3 417 992	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		514 446	3 591 910	688 364	3 417 992	-	-
Total external loans		4 722 058	3 591 910	1 077 525	7 236 443	-	-

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Appendix B

June 2018

**Analysis of property, plant and
equipment as at 30 June 2018**

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land (Separate for AFS purposes)	7 193 673	-	-	-	-	7 193 673	-	-	-	-	-	7 193 673
Buildings (Separate for AFS purposes)	4 507 697	-	-	-	-	4 507 697	(2 554 726)	-	-	(150 257)	(2 704 983)	1 802 714
	11 701 370	-	-	-	-	11 701 370	(2 554 726)	-	-	(150 257)	(2 704 983)	8 996 387
Infrastructure												
Electricity Buildings & Facilities	8 828 351	-	-	-	-	8 828 351	(3 386 095)	-	-	(277 669)	(3 663 764)	5 164 587
Electricity Poles	2 292 490	-	-	-	-	2 292 490	(1 283 846)	-	-	(64 725)	(1 348 571)	943 919
Electricity Mini Subs	4 731 674	-	-	-	-	4 731 674	(1 469 007)	-	-	(115 662)	(1 584 669)	3 147 005
Electricity Transformers	6 211 397	-	-	-	-	6 211 397	(1 234 057)	-	-	(137 948)	(1 372 005)	4 839 392
Other Buildings & Facilities	8 735 222	-	-	411 810	-	9 147 032	(5 886 177)	-	-	(239 345)	(6 125 522)	3 021 510
Roads Stormwater	102 824	-	-	-	-	102 824	(61 026)	-	-	(2 822)	(63 848)	38 976
Road Structures	61 846 666	-	-	-	-	61 846 666	(22 546 128)	-	-	(1 533 331)	(24 079 459)	37 767 207
Traffic Management	701 178	-	-	-	-	701 178	(423 243)	-	-	(19 810)	(443 053)	258 125
Bridges	3 175 851	-	-	-	-	3 175 851	(1 930 724)	-	-	(91 888)	(2 022 612)	1 153 239
Roads - Buildings & Facilities	6 795 105	-	-	-	-	6 795 105	(3 966 585)	-	-	(189 054)	(4 155 639)	2 639 466
Waste Water Treatment	45 344 113	-	-	-	-	45 344 113	(15 749 751)	-	-	(1 071 277)	(16 821 028)	28 523 085
Collection / Reticulation Network	3 095 269	-	-	-	-	3 095 269	(1 491 135)	-	-	(95 108)	(1 586 243)	1 509 026
Boreholes	45 210	-	-	-	-	45 210	(26 132)	-	-	(1 289)	(27 421)	17 789
Distribution Reticulation Network	47 108 410	-	-	-	-	47 108 410	(22 258 812)	-	-	(1 351 158)	(23 609 970)	23 498 440
Water Pump Station & Buildings	31 391 821	111 125	-	-	-	31 502 946	(1 845 594)	-	-	(653 905)	(2 499 499)	29 003 447
Water Buildings and External Facilities	77 294 469	-	-	-	-	77 294 469	(22 351 615)	-	-	(1 893 619)	(24 245 234)	53 049 235
Sewer Pump Station	159 959	-	-	-	-	159 959	(97 417)	-	-	(4 549)	(101 966)	57 993
Work in Progress	11 035 350	11 795 200	-	(411 810)	-	22 418 740	-	-	-	-	-	22 418 740
	318 895 359	11 906 325	-	-	-	330 801 684	(106 007 344)	-	-	(7 743 159)	(113 750 503)	217 051 181

**Analysis of property, plant and
equipment as at 30 June 2018**

	Cost/Revaluation					Accumulated depreciation and impairment						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand

**Analysis of property, plant and
equipment as at 30 June 2018**

	Cost/Revaluation					Accumulated depreciation and impairment						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation					Accumulated depreciation				

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation					
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

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Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation					
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

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Appendix C

June 2018

Un-audited Segmental analysis of property, plant and equipment as at 30 June 2018 Cost/Revaluation Accumulated Depreciation and Impairment

	Opening Balance	Additions	Additions - Under construction	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation / Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality										
Executive & Council/Mayor and Council	608 603	-	-	(20 908)	587 695	(332 058)	13 285	(106 915)	(425 688)	162 007
Finance & Admin/Finance	2 869 004	3 748 491	-	(593 961)	6 023 534	(1 106 756)	336 232	(848 687)	(1 619 211)	4 404 323
Planning and Development	9 812 409	-	-	-	9 812 409	(6 655 614)	-	(216 320)	(6 871 934)	2 940 475
Comm. & Social/Libraries and archives	19 560 436	-	3 066 840	-	22 627 276	(2 971 393)	-	(295 952)	(3 267 345)	19 359 931
Waste Water Management/Sewerage	48 599 340	-	-	-	48 599 340	(17 338 303)	-	(1 170 934)	(18 509 237)	30 090 103
Road Transport/Roads	79 266 336	-	7 124 452	-	86 390 788	(28 935 390)	-	(1 829 170)	(30 764 560)	55 626 228
Water/Water Distribution	154 350 708	111 125	-	(11 350)	154 450 483	(46 569 650)	5 337	(3 900 211)	(50 464 524)	103 985 959
Electricity /Electricity Distribution	22 114 909	-	1 603 908	-	23 718 817	(7 398 891)	-	(599 070)	(7 997 961)	15 720 856
	337 181 745	3 859 616	11 795 200	(626 219)	352 210 342	(111 308 055)	354 854	(8 967 259)	(119 920 460)	232 289 882
Total	337 181 745	3 859 616	11 795 200	(626 219)	352 210 342	(111 308 055)	354 854	(8 967 259)	(119 920 460)	232 289 882

Thembelihle Local Municipality
Un-audited Appendix D

June 2018

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
19 502 375	4 320 407	15 181 968	Executive & Council/Mayor and Council	31 024 285	5 980 656	25 043 629
2 854 265	20 481 803	(17 627 538)	Finance & Admin/Finance	4 327 678	27 717 547	(23 389 869)
3 962 717	10 959 410	(6 996 693)	Planning and Development/Economic Development/Plan	4 715 137	6 683 762	(1 968 625)
-	-	-	Health/Clinics	-	-	-
10 728 481	15 428 613	(4 700 132)	Comm. & Social/Libraries and archives	11 419 384	13 206 530	(1 787 146)
-	-	-	Housing	-	-	-
1 227 818	1 708 710	(480 892)	Public Safety/Police	1 320 355	2 179 638	(859 283)
-	-	-	Sport and Recreation	-	-	-
1 648 670	1 791 671	(143 001)	Environmental Protection/Pollution Control	2 143 423	1 527 184	616 239
3 231 576	1 664 142	1 567 434	Waste Water Management/Sewerage	4 044 736	1 032 388	3 012 348
506 426	6 527 888	(6 021 462)	Road Transport/Roads	548 936	6 640 652	(6 091 716)
4 431 238	5 867 678	(1 436 440)	Water/Water Distribution	8 589 233	12 369 801	(3 780 568)
12 868 041	14 225 770	(1 357 729)	Electricity /Electricity Distribution	20 595 110	13 872 062	6 723 048
-	-	-	Other/Air Transport	-	-	-
60 961 607	82 976 092	(22 014 485)		88 728 277	91 210 220	(2 481 943)
60 961 607	82 976 092	(22 014 485)	Municipality	88 728 277	91 210 220	(2 481 943)
60 961 607	82 976 092	(22 014 485)	Total	88 728 277	91 210 220	(2 481 943)

Thembelihle Local Municipality

Appendix E(1)

June 2018

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2018 Act. Bal.	Forecast # 1 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	4 068 356	7 573 178	(3 504 822)	(46.3)	When the Adjusted Budget was compiled most of the consumers had already paid their accounts in full for the whole financial year.
Service charges	19 903 524	29 052 923	(9 149 399)	(31.5)	The budget was compiled taking into account expected increases to be applied which did not materialise, this had an effect on the Electricity billed for the year that was not considered in the budget.
Rental of facilities and equipment	768 333	986 140	(217 807)	(22.1)	When the budget was compiled an expected increase was taken into account that did not materialised
Interest received (trading)	984 761	966 176	18 585	1.9	More debtors receipts were obtained which meant less interest charges.
Dividends received (trading)	-	-	-	-	
Fines, Licences and permits	1 100 800	961 211	139 589	14.5	The traffic fines which was expected to materialise only initiated the process at the end of the year therefore total year revenue could not materialise.
Government Grants	58 710 169	24 240 846	34 469 323	142.2	Grants received were less than expected due to RBIG and MIG projects only scheduled to start closer to the end of the financial year.
Commissions received	508 225	69 727	438 498	628.9	
Other income - (rollup)	1 800 153	780 900	1 019 253	130.5	Unexpected decrease in other services required, this decrease could not be estimated and taken into account at the time the budget was compiled.
Connection fees	62 109	52 679	9 430	17.9	
Interest received - investment	594 753	608 772	(14 019)	(2.3)	Larger investments were used as what was expected.
	88 501 183	65 292 552	23 208 631	35.5	
Expenses					
Personnel expenses	(26 784 243)	(26 426 273)	(357 970)	1.4	
Remuneration of councillors	(2 557 024)	(2 639 699)	82 675	(3.1)	
Administration	(60 591)	(110 119)	49 528	(45.0)	
Depreciation	(8 967 261)	(8 105 280)	(861 981)	10.6	The asset register was completely re-stated after the budget was done.
Amortisation	(62 800)	(127 320)	64 520	(50.7)	
Finance costs	(8 303 303)	(516 571)	(7 786 732)	507.4	Unexpected increase in the landfill site rehabilitation provision
Debt Impairment	(7 615 150)	(777 819)	(6 837 331)	879.0	More debt were collected than expected.
Lease rentals on operating lease	(699 687)	(818 880)	119 193	(14.6)	Budget was based on cashflow payments towards repairs & Maintenance. Actual's include creditors transactions.
Bulk purchases	(12 507 720)	(7 347 063)	(5 160 657)	70.2	Budget was based on cashflow payments towards repairs & Maintenance. Actual's include creditors transactions.
Contracted Services	(207 873)	(1 143 296)	935 423	(81.8)	Budget was based on contracts to start on January 2015, but only started in May 2015.
General Expenses	(23 175 395)	(14 038 442)	(9 136 953)	65.1	
	(90 941 047)	(62 050 762)	(28 890 285)	46.6	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(269 173)	-	(269 173)	-	
Fair value adjustments	227 094	-	227 094	-	
	(42 079)	-	(42 079)	-	
Net surplus/ (deficit) for the year	(2 481 943)	3 241 790	(5 723 733)	(176.6)	

Thembelihle Local Municipality

Appendix E(2)

June 2018

Budget Analysis of Capital Expenditure as at 30 June 2018

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Budget & Treasury	3 748 491	-	(3 748 491)	-	
Planning and Development/Economic Development/Plan	-	7 656 350	7 656 350	100	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	3 066 840	-	(3 066 840)	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	7 124 452	-	(7 124 452)	-	
Water/Water Distribution	111 125	4 000 000	3 888 875	97	
Electricity /Electricity Distribution	1 603 908	8 000 000	6 396 092	80	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	15 654 816	19 656 350	4 001 534	20	

Thembelihle Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2018

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
					Jun					Jun									
Equitable Share	Treasury	8 715	6 963	5 229	-	-	(8 715)	(6 963)	(5 229)	-	-	(8)	-	-	-	-		Yes	
MIG	Treasury	3 800	3 000	1 366	-	-	(536)	(2 683)	(2 302)	(3 500)	-	-	-	-	-	-		Yes	
WSIG	Treasury	2 000	-	2 000	-	-	-	(8)	(310)	(3 682)	-	-	-	-	-	-		Yes	
FMG	Treasury	2 345	-	-	-	-	(783)	(1 021)	(276)	(265)	-	-	-	-	-	-		Yes	
MSIG	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
EPWP	Treasury	250	450	300	-	-	(40)	(204)	(311)	(442)	-	-	-	-	-	-		Yes	
INEP	Treasury	7 000	-	1 000	-	-	(75)	(725)	-	(7 200)	-	-	-	-	-	-		Yes	
Library	Province	-	-	602	-	-	(309)	(317)	(192)	(194)	-	-	-	-	-	-		Yes	
		24 110	10 413	10 497	-	-	10 458	11 921	(8 620)	15 283	-	(8)	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Thembelihle Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2018

	2017/2018										2017/2016				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Directorate of Mayor and Council	17 241 732	17 452 561	34 694 293	-		34 694 293	31 024 285		(3 670 008)	89 %	180 %				19 502 376
Vote 2 - Directorate of the Municipal Manager	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 3 - Office of Financial Management	11 040 976	314 323	11 355 299	-		11 355 299	4 327 678		(7 027 621)	38 %	39 %				2 854 265
Vote 4 - Office of Corporate Services	21 807 794	(10 289 777)	11 518 017	-		11 518 017	4 715 137		(6 802 880)	41 %	22 %				3 962 717
Vote 5 - Office of Technical Services	35 134 623	6 971 872	42 106 495	-		42 106 495	37 241 793		(4 864 702)	88 %	106 %				23 913 769
Vote 6 Community and Social Services	1 555 977	-	1 555 977	-		1 555 977	11 419 384		9 863 407	734 %	734 %				10 728 481
Example 7 - Vote7	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 8 - Vote8	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 9 - Vote9	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 10 - Vote10	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 11 - Vote11	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 12 - Vote12	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 13 - Vote13	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 14 - Vote14	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 15 - Vote15	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	86 781 102	14 448 979	101 230 081	-		101 230 081	88 728 277		(12 501 804)	88 %	102 %				60 961 608
Expenditure by Vote to be appropriated															
Vote 1 - Directorate of Mayor and Council	8 832 369	(3 180 344)	5 652 025	-	-	5 652 025	5 980 656	363 325	328 631	106 %	68 %	-	-	-	4 320 407
Vote 2 - Directorate of the Municipal Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Office of Financial Management	15 254 950	(3 711 836)	11 543 114	-	-	11 543 114	27 717 547	15 681 629	16 174 433	240 %	182 %	-	-	-	20 481 803
Vote 4 - Office of Corporate Services	11 546 045	108 282	11 654 327	-	-	11 654 327	6 683 763	-	(4 970 564)	57 %	58 %	-	-	-	10 959 410
Vote 5 - Office of Technical Services	37 460 010	(6 807 480)	30 652 530	-	-	30 652 530	37 621 724	8 254 248	6 969 194	123 %	100 %	-	-	-	31 785 860
Vote 6 Community and Social Services	538 812	-	538 812	-	-	538 812	13 206 530	12 171 451	12 667 718	2 451 %	2 451 %	-	-	-	15 428 613
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	73 632 186	(13 591 378)	60 040 808	-	-	60 040 808	91 210 220	36 470 653	31 169 412	152 %	124 %	-	-	-	82 976 093
Surplus/(Deficit) for the year	13 148 916	28 040 357	41 189 273	-		41 189 273	(2 481 943)		(43 671 216)	(6)%	(19)%				(22 014 485)

Thembelihle Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2018

	2018/2017									2017/2016					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 1 - Directorate of Mayor and Council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Directorate of the Municipal Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Office of Financial Management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 4 - Office of Corporate Services	9 054 800	(1 398 450)	7 656 350	-	-	7 656 350	7 124 452	-	(531 898)	93 %	79 %	-	-	-	-
Vote 5 - Office of Technical Services	1 000 000	7 000 000	8 000 000	-	-	8 000 000	-	-	(8 000 000)	- %	- %	-	-	-	-
Vote 6 Community and Social Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	10 054 800	5 601 550	15 656 350	-	-	15 656 350	7 124 452	-	(8 531 898)	46 %	71 %	-	-	-	-
Single-year expenditure															
Vote 1 - Directorate of Mayor and Council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Directorate of the Municipal Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Office of Financial Management	-	-	-	-	-	-	3 748 491	3 748 491	3 748 491	DIV/0 %	DIV/0 %	-	-	-	-
Vote 4 - Office of Corporate Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Office of Technical Services	4 000 000	-	4 000 000	-	-	4 000 000	1 715 033	-	(2 284 967)	43 %	43 %	-	-	-	-
Vote 6 Community and Social Services	-	-	-	-	-	-	3 066 840	3 066 840	3 066 840	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	4 000 000	-	4 000 000	-	-	4 000 000	8 530 364	6 815 331	4 530 364	213 %	213 %	-	-	-	-
Total Capital Expenditure - Vote	14 054 800	5 601 550	19 656 350	-	-	19 656 350	15 654 816	6 815 331	(4 001 534)	80 %	111 %	-	-	-	-

Thembelihle Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2018

2018/2017										2017/2016				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard														
Governance and administration	-	-	-	-	-	3 748 491	3 748 491	3 748 491	DIV/0 %	DIV/0 %	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	3 748 491	3 748 491	3 748 491	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	-	-	-	-	-	3 066 840	3 066 840	3 066 840	DIV/0 %	DIV/0 %	-	-	-	-
Community and social services	-	-	-	-	-	3 066 840	3 066 840	3 066 840	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	9 054 800	(1 398 450)	7 656 350	-	7 656 350	7 124 452	-	(531 898)	93 %	79 %	-	-	-	-
Planning and development	9 054 800	(1 398 450)	7 656 350	-	7 656 350	7 124 452	-	(531 898)	93 %	79 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	5 000 000	7 000 000	12 000 000	-	12 000 000	1 715 033	-	(10 284 967)	14 %	34 %	-	-	-	-
Electricity	1 000 000	7 000 000	8 000 000	-	8 000 000	1 603 908	-	(6 396 092)	20 %	160 %	-	-	-	-
Water	4 000 000	-	4 000 000	-	4 000 000	111 125	-	(3 888 875)	3 %	3 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	14 054 800	5 601 550	19 656 350	-	19 656 350	15 654 816	6 815 331	(4 001 534)	80 %	111 %	-	-	-	-
Funded by:														
National Government	14 054 800	5 601 550	19 656 350	-	19 656 350	15 654 816		(4 001 534)	80 %	111 %				17 256 550
Provincial Government	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	14 054 800	5 601 550	19 656 350	-	19 656 350	15 654 816		(4 001 534)	80 %	111 %				17 256 550
Public contributions & donations	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Capital Funding	14 054 800	5 601 550	19 656 350	-	19 656 350	15 654 816		(4 001 534)	80 %	111 %				17 256 550